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IN THE

Supreme Court of the United States

OCTOBER TERM, 1943.

No. 49

No. 50

FORD MOTOR COMPANY, *Petitioner,*

v.

GORDON FORM LATHE COMPANY, *Respondent.*

PETITIONER'S REPLY BRIEF.

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1. FOREWORD.

We protest against the language used at places in Respondent's Brief, and we refer particularly to page 43, just below the middle, page 85, first 6 lines of paragraph E, and page 98, last 10 lines, all of which charges us with deliberate and knowing falsehood. Surely these have no place in an argument upon disputed evidence. As bearing upon the second of these, we call attention to what the Court of Appeals said in the appeal from the interlocutory appeal herein:

> "* * * the Gordon machine * * * did not, and could not, upon a sharp pointed cam, swing the cutting tool with sufficient speed and precision to maintain it in proper

> cutting positions on the portions immediately above and below the point, *nor could it be so reorganized as to accomplish the result while using a* single cutting tool which tilted upon its point upon a rapidly revolving workpiece." (87 Fed. (2d) at page 392, 2nd column; R. 1364)

The facts in this connection were greatly amplified by the record in the accounting proceeding so that the Master found the facts to be that

> "The Gordon machine itself was impracticable for machining the Ford camshafts." (R. 61.)

This finding of the Master was concurred in by the Court of Appeals. (133 Fed. (2d) 493.)

2. JURISDICTIONAL QUESTIONS.

A. Granting of the Writ of Certiorari Under Wrong Impression.

Under this main heading respondent's brief, under subheading (A) makes the bald statement that the "writ of certiorari was granted under a wrong impression." It implies that petitioner misled this Court in its Petition for Certiorari concerning an agreement between respondent, the Gordon Form Lathe Company and the Walcott Company, the manufacturer from whom petitioner, the Ford Motor Company, purchased the infringing machines. Reference is made to the statement contained in our main brief (p. 25) that just what was decided upon between the Gordon Company and the Walcott Company at the time the "compromise agreement" was entered into, referred to by Judge Hamilton in the opinion of the Court of Appeals in this case, does not appear from the record. We included precisely the same quotation from the opinion of the Court below, both at page 20 in our brief on petition and at page 25 of our main brief. We do not wish to recant or retract any of the statements contained in either of these briefs.

We submit that the situation before the Court in the case

of *Keller* v. *Adams Campbell,* 264 U. S. 314, from which syllabus 2 is quoted in respondent's brief (R. B. 2*), has no pertinence to the situation here presented. We believe the record shows, as we shall point out more fully hereinafter, that the amended decree as finally entered in the case of *Gordon* v. *Walcott,* R. 1670-2, was the result of an agreement and that it would not have been entered into without the voluntary consent, or agreement, of respondent. It was prepared by counsel for plaintiff, and submitted to the Court for its signature. (R. 970.)

The statement is made (R. B. 3) that the Master held

> "That the product of the infringing machine was identical, or comparable (without the straightening) with the product of the standard (the shaper) * * *"

No record reference is given, however, in support of this statement. We do not recall any such holding by the Master and are unable to find it in the Master's report. In any event, if the Master did make any such holding there is nothing tangible in the record to support it.

Respondent's brief in asserting that

> "The Gordon invention was successful in all the embodiments in which it was incorporated for the turning of non-geometric forms and that it was eminently successful in turning the kind of non-geometric form *for which it was built and adjusted* * * *"

and that as petitioner's cam was a variant it was necessary to make adjustments in the construction, conveniently neglects to make any reference to the following facts in connection with the sedulous efforts of respondent to sell the machine of the Gordon invention to petitioner:

That on July 15, 1922 petitioner ordered a patented Gordon machine (Ex. 56, R. 1043); that respondent took nearly one year in the designing and building of this machine because it was not until May 16, 1923 that the patented Gordon machine was delivered to petitioner's plant (Ex. 55,

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* References to respondent's brief will be made as above—R.B.

R. 1690); that it remained there from May of 1923 until August 1923, a period of three months, during which time in spite of the united efforts of petitioner and respondent to make the machine do the work for which it was built, (R. 619) the machine proved to be entirely unsuccessful; that the machine was then returned to respondent, or its appointed manufacturer to permit respondent to make such "adjustments," repairs, overhauling or rebuilding as would put the machine in condition to successfully, or even properly, turn the kind of non-geometric form, viz: petitioner's camshafts, for which it was built; that the machine remained in respondent's possession, or under its direction, for a period of four months; that after it was returned to petitioner the inventor Gordon unsuccessfully devoted a period of at least three weeks (R. 286) in daily attendance at petitioner's plant doing everything in his power to make the machine perform the job for which it was not only originally built, but re-built and "adjusted."

If all that was needed, as asserted in plaintiff's brief, to make the machine of the Gordon invention successful for the turning of petitioner's cams, was to make "adjustments in the construction" (R. B. 4) surely it cannot be possible that such adjustments were beyond the ken of the "pioneer" inventor Gordon. Surely he should have been able in the eleven months which elapsed between the placing of the order for the Gordon machine by petitioner in July of 1922 and the date when the machine was delivered to petitioner on May 16, 1923, to design the machine so that it would do its intended job without even the necessity for any "adjustments to be made therein", or would have incorporated in the original machine the necessary structure to enable it to be so adjusted. Here we remark parenthetically that the mere provision of means for adjusting a mechanism is almost universally held by the courts to be within the skill of the ordinary mechanic and, therefore, lacking in invention. But, if respondent's original design for the machine that was built, constructed and, we must

assume, adjusted for the turning of petitioner's cam was faulty in either its construction or adjustment, surely ample opportunity was afforded respondent to make, not only the necessary adjustments, but to overcome any faults in the patented machine from the standpoint of poor workmanship or material. We will revert to this later. The nub of the entire situation in this respect is succinctly set forth in the statement in respondent's brief to the effect that the necessary "adjustments could only be done in the second embodiment." This is a clear-cut admission of the fact which we will hereinafter discuss more fully, that the Gordon invention, without more, and without the later patented Melling improvements, was utterly incapable of performing defendant's work and that it could not cut petitioner's sharp pointed cams nor could it be so reorganized as to accomplish the result. (*Supra* p. 2.)

Respondent's brief impliedly charges us with misrepresentations in order to induce the Court to review the question of patentability (R. B. 4), such as was sought in the case of *Williams Mfg. Co.* v. *United Shoe Machinery Corp.*, 316 U. S. 364. The questions, however, which we presented to the Court have no parallel with the Williams case as we shall show.

B. Reversal of Fact Findings of the Tribunals Below is Not Sought by Petitioner.

In none of the three questions which we presented are we asking this Court to reverse any finding of fact of the tribunals below. Instead we are asking this Court to review and reverse because the lower tribunals, while recognizing the applicable law as enunciated by this Court in many decisions, refused to apply the law to the facts established by the record and as found by such tribunals.

3. RESPONSE TO ARGUMENTS UNDER HEADING "STATEMENT OF THE CASE."

A. The Award of One Dollar Nominal Damages in the Walcott Case.

Under this heading respondent's brief charges us with having conveniently omitted reference to the one dollar award in the Walcott case as "nominal damages" and that Judge Hamilton inadvertently followed our lead in this respect. Whether the omission to refer to the one dollar award was either "convenient" or "inadvertent" is of no moment. We do not believe that any one could possibly be misled because we did not say that the award of one dollar was an award of "nominal damages" any more than he would have been misled if the award had been six cents and we had not referred to it as an award of nominal damages. The mere statement of the amount of the award—one dollar—establishes it, without more as an award merely of nominal damages.

B. All of the Infringing Walcott Machines Used by Ford Were Within the Purview of the Compromise Agreement.

The situation with respect to the sale by the Walcott Company to petitioner of eighteen of the Walcott machines in the early part of 1924 was such that under the application of the ordinary principles of equity jurisprudence respondent could have recovered from the Walcott Company for such machines had it prosecuted its case against Walcott to a conclusion instead of settling it for $1.00 nominal damages.

Gordon and Redlin filed their application for a patent on July 19, 1920. (Ex. 2, 1655 to 1669.) The patent, however, did not issue until June 16, 1925 because of the fact that it was thrown into interference with an application of *Melling, the inventor of the Walcott machines* who had seen the plaintiff's machine at the Jackson Co. (20 Fed. Rep. (2)

673.) Melling could not hope to prevail on the issue of priority of invention because he did not design his machine until after he had seen the unsatisfactory performance of the Gordon machine. Nevertheless Melling contested the interference before the Examiner of Interferences, before the Board of Examiners in Chief on appeal, and before the Court of Appeals for the District of Columbia on appeal, all which tribunals decided adversely to him. The result of Melling's protracted litigation in the interference was to delay the issuance of the Gordon patent. Whether this was done designedly or not is immaterial. The procedure, however, of provoking an interference so as to delay the issuance of a patent so that an infringer may infringe with impunity during the pendency of an application is not uncommon.

In any event, the facts are admitted that Melling got his inspiration from seeing a Gordon machine. The courts have held in many cases that where there has been a disclosure of the invention to another during the pendency of an application for a patent and an infringing appropriation of the invention, there is an implied contract to pay from the time the use of the invention began, even though a considerable period of such use occurred before the issuance of the patent. (*Holtke* v. *Kemp*, 80 F. (2d) 912; *Gilbert* v. *General Motors Corp.*, 40 F. Supp. 525, 527; *Miller* v. *Rudolph Wurlitzer Co.*, 48 F. Supp. 772, 774; *Chesapeake & Ohio Ry.* v. *Kaltenbach*, 95 F. (2d) 801, also 124 Fed. Rep. (2) 375, C. C. A. 4); *Pennington Engineering Co.* v. *Houde Engineering Corp.*, 43 F. Supp. 698.

In the latter case the court said:

> "Unless the inventor has abandoned his application, he has a property right which the courts will protect pending the granting of a patent * * *."

In *Kelly & Koett Mfg. Co.* v. *McEwen*, 130 F. 2d 488, the Court of Appeals for the Sixth Circuit said, at page 495:

> "... we think the requirements of equity will be met by charging appellant with the same royalties or profits

for machines manufactured before the patent issued as after. This is the measure of damages indicated in *Hoelke* v. *Kemp*, 4 Cir., 87 Fed. (2d) 912, a case in which disclosure was made prior to patenting. See also *Booth* v. *Stutz Motor Car Co.*, 7 Cir., 56 Fed. (2d) 962."

While it is true that each of the above cases were ones wherein there was a disclosure in confidence of an invention to the infringer during the pendency of the application, the rule may well be, and indeed should be, extended to cover infringement that occurs during a delay in the issuance of a patent enforced by the infringer in contesting an interference through successive appeals, particularly when the infringer knows full well he can not possibly prevail on the issue of priority.

As to the six machines purchased by the Ford Company in 1929 after the patent issued, it just simply is not so that no recovery could have been had for these machines in the Walcott case had respondent pursued an accounting. Recovery for infringement occurring after the filing of a bill of complaint is always permitted in any patent accounting. Indeed, the recovery has been permitted in cases where the defendant formed a new corporation after interlocutory decree to continue the infringement. *A. B. Dick Co.* v. *Marr*, 48 F. Sup. 775. Had the defendant Walcott Company attempted to resist an accounting as to machines sold after the filing of the bill of complaint in the Walcott case, the matter of enforcing recovery would have involved merely following the simple procedure of preparing and filing a supplemental complaint.

Of course no reference was made in the decree to the twenty-four Walcott machines that were sold to, and used by petitioner, in the first place because it is not the custom to recite such specific details in a decree and in the second place because any mention in the decree of these or any other of the infringing machines sold by Walcott prior to the decree would have defeated the purpose for which the

decree was entered,—to enable respondent to proceed against the users of the machines. However, sight must not be lost of the fact that respondent was placed on notice that the Walcott machines were sold to the Ford Company under a patent guarantee (R. 1184) and that when respondent waived its accounting against Walcott and accepted the $1.00 nominal damages in full settlement of its claims against Walcott, it did so with full knowledge of Ford's use of the Walcott machines and that Walcott had agreed to hold Ford harmless for any claims for patent infringement.

Respondent endeavors to make a point of the fact that it did not ask for an accounting to cover anything which had been done prior to the issuance of the patent or subsequent to the filing of the bill of complaint, and that no such accounting was ever ordered by the court. This, however, is precisely in accordance with the point we are now urging, namely, that respondent voluntarily relinquished his right to an accounting and that had respondent pursued its right to such accounting it would and could have recovered all it was justly entitled to recover. Of course, no application was made by respondent for the inclusion in the accounting either of machines made before the issuance of the patent or those made and sold after the filing of the bill when respondent voluntarily waived the accounting. But had respondent made application for an accounting instead of waiving it, there can be no doubt but that its shrewd and able counsel would not have permitted Walcott Company to escape accounting for any one of the twenty-four machines which it sold to petitioner.

C. The Walcott Machine Claimed to be a Gordon Machine.

Respondent quotes from the decision of this court in *Machine Co.* v. *Murphy*, 97 U. S. 120, and italicizes that part of the opinion which it quotes holding that:

> "Devices * * * are different in the sense of the patent law when they perform different functions in a dif-

> ferent way or produce a substantially different result''

and respondent claims that the rule should be applied here strictly. We agree. No matter what the Sixth Circuit Court of Appeals may have held in its prior opinions involving the Gordon patent, to the effect that the Walcott machine performed its functions in substantially the same way as performed by the Gordon machine, these holdings cannot change the hard physical facts, to-wit, the two machines operate on different principles—the Melling machine having incorporated therein the principle of operation disclosed in the old Blanchard patent that was issued in 1819. This principle of operation is admittedly not present in the Gordon machine. The Gordon machine was utterly incapable of producing the same result as Melling's adaptation of the Blanchard machine. The Gordon machine could not produce the result of turning a sharp pointed cam nor could it be reorganized to do so, and this was so held by the lower court as indicated on page 2, above.

D. The Embodiment of the Gordon Invention Illustrated and Described in the Gordon Patent.

Respondent's argument under this general subject seems to attempt to make a distinction between the so-called ''Gordon invention'' and what is illustrated and described in the Gordon patent. The machine which respondent built and which was especially designed over a period of many months for turning the sharp pointed Ford cam, was in all respects the same as the machine illustrated and described in the Gordon patent (R. 345-51). The slight difference in shape between the cam shown and designated by the reference character 18 in Figs. 3, 4, 6 and 7 of the Gordon patent (R. 1656, 1657) and the Ford cams, is so nearly infinitesimal as to be practically indistinguishable. The enumeration on page 16 of respondent's brief of the number of Gordon machines sold to various companies is merely the repetition

of the unsupported statements of the highly interested witness Gordon. None is now in use, nor has been for quite a number of years (p. 1191). The effort is made to make it appear that the Gordon machine was highly successful in turning pear-shaped cams. There is, however, no corroboration of Gordon concerning the success of his machine in turning even a blunt nosed pear-shaped cam. Indeed the evidence shows that the Gordon machine was not highly successful, as claimed, at Nash Motor, for the testimony of the witness Sloniker (R. 309) shows that the Nash Company was compelled to resort to an additional rough grinding in order to be able to use the product of the Gordon machine. There is no basis for attacking the opinion of the court below that "the machines did not operate satisfactorily because from 10 to 20 per cent of the camshafts turned on them were commercially unusable and there was an excessive waste or scrap in their manufacture" (R. Vol. 5, p. 3).

Respondent endeavors to make it appear that the Walcott machine is merely a different embodiment of the Gordon invention—a mere variant thereof; but neglects to refer to the fact that what it chooses to call a different embodiment, or mere variant of the Gordon machine as incorporated in the Walcott machine, was held by the Patent Office to constitute a patentable improvement over Gordon and also that the Court of Appeals in the Walcott case recognized that the incorporation of the Blanchard principle in the Walcott machine was a *valuable improvement.*

RESPONSE TO RESPONDENT'S "ARGUMENT."

Point 1.

A. That Respondent is Not Entitled to Recover All of Profits Realized by Petitioner Through Its Use of the Infringing Machines.

Respondent's brief (R. B. 21) quotes from the Master's Report (R. 82) wherein he states there is no evidence to establish that the decree for nominal damages in the Walcott case was not based upon the financial condition of the Walcott Company and wherein he indulges in speculation as to why the National Automobile Chamber of Commerce did not object to the decree, and then states that "the defense is not substantiated by the evidence." We submit the mere statement in the decree—"It being represented to the Court that the defendant is not financially able to respond to a money judgment * * * does not establish the fact that respondent could not have obtained a full recovery had it pursued its remedy. We have no way of ascertaining just what representations were made to the District Court or who made them. It does not help the matter any to speculate as to why the Chamber of Commerce did not object to the decree. The fact remains the decree was entered with the full consent and approval of respondent and its counsel. In fact, the decree was prepared by them, and by them submitted to the court (R. 970). We submit that the decision to release the Walcott Company upon the payment of nominal damages was a part of a clever scheme designed to put respondent in a position where it could, as we have heretofore stated, rely upon the case of *Birdsell* v. *Shaliol*, 112 U. S. 485, to mulct innocent purchasers of the Walcott machines of much greater sums than it could ever have obtained from the Walcott Company. This is shown further by the deliberate failure to include the Ford Company in the settlement with the other automobile manufacturers (R. pp. 1152-57).

So far as the Walcott Company was concerned, it may have jumped at the opportunity to get off with the payment of $1.00, and in the hope that it could recoup the heavy losses which it suffered as expenses in conducting its litigation against respondent. Further the inducement to the Walcott Company to agree to the settlemeint must have incorporated some promise or permission that would enable the Walcott Company to remain in the business of manufacturing the infringing machines because the record shows it was still in the business of making the infringing machines, among others, in 1939, when testimony was taken in the accounting proceedings (R. 1174).

B. Respondent Suffered No Damages.

Under this subject respondent's brief quotes from the cases of *U. S. Frumentum* v. *Lauhoff* (C. C. A. 6), 216 Fed. 610, and *American Telephone & Telegraph Co.* v. *Radio Audion Co.*, 5 Fed. (2d) 535, in support of the statement that the sufferance of damages is presumed from the infringement. It is not the law, and never has been the law, that damages in any patent infringement case are presumed. The law, without qualification, is that damages must always be proved.

Blake v. *Robertson,* 94 U. S. 728, 733.

What plaintiff calls the argument of the Court which it quotes from the *Frumentum* case does not support its statement that damage is presumed. What the Court said in the *Frumentum* case was that, and we quote and italicize—

> *"By so much as the infringing defendant supplies that market (plaintiff's) before plaintiff offers to do so, by so much is plaintiff's eventual market impaired."*

There is no proof in this case that the Ford Motor Company supplied any of respondent's market or that it impaired respondent's eventual market in any respect. Of course there could be no proof on this subject because the

Ford Company never did make and sell camshaft turning lathes. It only made and sold camshafts and the making and selling of camshafts was not a market which plaintiff ever entered nor did plaintiff ever attempt to enforce any monopoly with respect to the making of camshafts. It sold every one of its machines for the free and unrestricted use thereof and was perfectly willing to do so as long as it received a royalty of 10 percent of the purchase price for each and every machine which it sold. The quotation from the decision of the District Court in the *American Telephone* case likewise falls far short of stating that damage in any patent infringement case is presumed as the result of infringement. That case merely states that the holding of validity and infringement is conclusive upon whether or not a plaintiff has been injured. Reference to Judge Morris' decision in that case shows that he recognized clearly the difference between nominal damages and substantial damages and that he adopted in that case, the royalty which plaintiff and the owner of the patent in suit, had arrived upon as being a reasonable royalty and the amount which the infringer should pay.

C. Findings of the Tribunals Below in re Damages.

Respondent's brief states that against the finding of the suffering of damages by the tribunals below we have offered nothing but speculations and arguments. There was no direct finding by any of the tribunals below of any damage suffered by respondent. Indeed it was utterly impossible that respondent could have suffered any actual damage because of the mere use by petitioner of the infringing machines. It had tried to sell its own machines and they failed. The infringing machines were acquired for that reason. The closest the Master came to making any finding on this point was to indulge in the following speculation:

> "There is no reason to suppose that if defendant and others had not infringed plaintiff's patent the plaintiff and the Walcott Company would not have reached an agreement under which the cam turning lathes with the

> Walcott improvements would have been supplied to the trade, with each company sharing in the proceeds. Since the plaintiff's pioneer patent was primarily responsible for the value of the Walcott machine, the probability exists that defendant's infringement caused substantial damage to plaintiff, which, however, it is obviously impossible to gauge with accuracy. Thus, not only unjust enrichment by defendant, which has already been found, but the probability of substantial damages exists here." (R. 74)

If there has been any speculation on this subject it is not to be found in our discussion of it as contained in our main brief on pages 23 and 24. The Master's finding of the "probability" of damage as contained in the foregoing quotation from his report, is, however, nothing but guesswork.

The statement in plaintiff's brief that the purchase and use of the infringing machines was the "fatal blow" which put respondent out of business, coupled with the reference to the testimony of Gordon, the respondent's *alter ego* (R. 282-283) obviously is intended to direct attention to the answer to the leading question to the effect that the purchase by the Ford Motor Company of the Melling machines in 1924 finally determined that respondent would not go ahead manufacturing any more. (R. 283.) This was an obvious attempt to lay a foundation for a claim for increased damages. Nothing could be clearer from the record here that the thing which put the Gordon Company out of business was the fact that the Gordon patented machines were, to put it baldly, just simply no good and could not be made to do their intended job in spite of all the efforts made by Gordon, and other representatives of respondent, to make them perform satisfactorily. In each of the three cases of the attempted use of the Gordon machines, concerning which testimony appears in the record, the Ford Motor Company (R. 286) the Jackson Motorshaft Company (R. 1262) and International Harvester (R. 1148, 1152), respondent was compelled to send a representative on the

job of attempting to nurse the machines and make them work and in each instance the efforts of respondent's representatives were abortive. This was an expensive procedure. When we add to this the fact that the Gordon Company was losing money all of the time it was actually in business (R. 314), the "fatal blow" argument made in respondent's brief becomes exceedingly tenuous and vapid. Gordon's answer to the question immediately preceding the question at R. 283 above referred to and to the effect that it was because of the competition of the Melling people that his Company did not manufacture and sell any machines after the issuance of the patent, shows that if any further blow in addition to the commercial impracticability of the Gordon machine and the failure of respondent to conduct its business at a profit were needed to bring about respondent's demise as an operating Company, such blow was not administered by petitioner but by the Walcott Company, or as stated by Gordon—"the Melling people."

The foregoing, based solely and entirely upon the record evidence, and the consideration of ordinary human behavior, renders the effort made in respondent's brief to elicit sympathy for the "small and struggling respondent" (R. B. 24) and the reference to "larger and more powerful manufacturer" and "poor inventor" (R. B. 25) rather ridiculous. This is especially true when it is considered that plaintiff's entire case, and claim of recovery here, rests upon, and can only rest upon, the claim that the real tort feasor, the Walcott Machine Tool Cmpany, was in no better if not worse, financial straits than Gordon.

D. The Gordon-Walcott Compromise Agreement.

Respondent's brief states that the issue raised by the settlement agreement between Gordon and Walcott was never pleaded. (R. B. 30.) We admit the correctness of this statement but in answer thereto we point out that the facts in connection with such settlement agreement were not fully ascertained by petitioner until during the accounting proceedings when Michael, counsel for respondent, took the wit-

ness stand and in answer to our questions admitted that the decree in the *Walcott* case was prepared by counsel for respondent and that respondent through its counsel consented to its entry. (R. 970.) If it is essential that this issue be pleaded, petitioner submits that it may, under the provisions of Rule 15 (b) of the Rules of Civil Procedure, amend the pleadings, the Rule providing that such amendment may be made "even after judgment."

Respondent endeavors to make much of the statement as contained on page 25 of our brief that what was decided upon at the time the compromise agreement was entered into and the decree filed in the *Walcott* case "does not appear from the record." Petitioner devotes ten pages of its brief (R. B. 30 to 40) to a discussion of the agreement, which we confess we have some difficulty in following. As we understand respondent's argument it seems to be based upon the proposition that we are claiming there was some sort of an oral agreement, not of record, upon which we are basing our entire argument in support of Point 1. Either counsel for respondent are most disingenuous or very obtuse. We base our claim of a compromise agreement entirely upon the language contained in the final amended decree (R. 1670-2) and the testimony of Mr. Michael (R. 970).

Respondent argues that if there had been any such settlement agreement as petitioner contends, the Walcott Company would have advised petitioner thereof (R. B. 32, 33) when it was attempting to collect the $6,000.00 owing to it which the Ford Company was withholding. That is, of course, mere inference, and has no basis. The only agreement we contend was made, was, as appears from the decree and the subsequent activities of plaintiff, one wherein the Walcott Company was induced to be a party to the scheme which released it from all obligation except that of paying $1.00 nominal damage and $4,000.00 as "costs" so as to pave the way for respondent to collect much greater sums from the innocent purchasers and users of the Walcott machines than it could have ever recovered from Walcott. Respon-

dent by its subsequent actions clearly demonstrated that it considered petitioner, the Ford Motor Company, the pot of gold at the end of the rainbow, for Ford was not invited to join the general settlement which respondent made with the entire automotive industry except Ford and which turned over to the industry the entire right, title and interest in and to the patent in suit, reserving for itself, however, the right of action against Ford. (Ex. 71, R. 1552-57.)

Indeed the only business of respondent after it ceased making machines long before its patent issued has been that of a party litigant and its only business since the settlement with General Motors in November of 1930 has been that of conducting this particular litigation.

We have referred in our main brief (p. 13) to the letter of the Walcott Company (Ex. 64, R. 1696) dated July 30, 1929, five weeks after the entry of the amended final decree, in which the Walcott Company impliedly assured the Ford Company that Walcott was standing behind its guarantee and had planned "for the purchase of the Gordon-Redlin patent which will eliminate any cost or damages to the Ford Motor Company." Counsel for respondent volunteers the information (R. B. 38) that counsel for Walcott approached counsel for Gordon to make an agreement which, as far as we are able to understand respondent's brief, was to be in furtherance of the plan referred to in Ex. 64 but that counsel for Gordon refused to make any such agreement. Such refusal is readily understandable.

The subsequent activities of respondent utterly belie the implications that the decree which affected the compromise settlement was entered without, not only the full consent, but the hearty approbation of respondent and its counsel.

E. The Law re Birdsell v. Shaliol.

We do not attack the correctness of the decision in this court in *Birdsell* v. *Shaliol* or insofar as it enunciated a rule of law for the decision of cases in the federal courts as the law was then interpreted by this court. Respondent's brief (p. 50) refers to "the ancient and honorable doctrine" of

the Birdsell case and charges that we have visualized a hypothetical compromise agreement out of the whole cloth and hypothetical terms thereof also out of the whole cloth. It points out by reference to the Michigan cases which we cited (*McBride* v. *Scott*, 132 Mich. 176, 93 N. W. 243; *Sunlin* v. *Scott*, 133 Mich. 208, 94 N. W. 733; *McDonald* v. *Henry Hornblower and Weeks*, 268 Mich. 626, 256 N. W. 572), and by its quotation from the Hornblower and Weeks case, and also by reference to the case of *Dowagiac Mfg. Co.* v. *Deere and Webber Co.*, 284 F. 331, that the rule in Michigan and in the federal courts is no different from that in *Birdsell* v. *Shaliol*.

We are in perfect agreement with the general proposition of law that judgment against one joint tort feasor without satisfaction of such judgment does not bar suit against another for the same trespass. But we submit that a judgment for $1.00 as nominal damages and $4,000 costs entered with the full consent and approbation such as was entered into by respondent in the Walcott case presents an entirely different situation than that presented to the court in the case of *Birdsell* v. *Shaliol*, and that this situation is much more analogous to that presented to the court in the Michigan case of *McBride* v. *Scott*, *supra*.

We reiterate the argument we made in support of our petition for certiorari to the effect that this court certainly never intended its decision in *Birdsell* v. *Shaliol* to establish a precedent that would enable a patentee and infringing manufacturer to make a "deal" whereby the patentee could voluntarily consent to the entry of a judgment of $1.00 as nominal damages in furtherance of a scheme that would permit the patentee to proceed against innocent purchaser-users of the infringing machines made by the real tort feasor, and to collect huge sums as profits allegedly made by the innocent purchaser by the mere use of the infringing machines.

We reiterate that this is more particularly true when the patentee made and sold machines in exact accordance

with the patent without any restriction upon their use and when the patentee never asked for or received a royalty for use from any purchaser of its machines. The more so, where, as here, the patented machine was so impractical commercially that it would have died a natural death even if there never had been any infringement of the patent. In this connection we point out that as respondent claims repeatedly throughout its brief that the Walcott machine is a Gordon machine, the cost to any user of a Gordon-Walcott machine should not, therefore, in all fairness, be any greater than the cost to such user of a Gordon machine without any of the Walcott improvements. This cost was merely the purchase price of the machine, which purchase price had wrapped up in it a royalty of 10 per cent and which royalty the patentee was willing to accept as full compensation for the use of his patent to cover manufacture and sale, as well as use.

It is no answer to say that, as stated by the Master, the payment of this 10 per cent royalty merely amounted to the transfer of money from one pocket to another (R. 79) and, as referred to in respondent's brief (R. B. 29). It makes no difference to whom the 10 per cent royalty was paid—that was all the use of the patent cost the purchaser of a Gordon machine. But it is the fact that, at the time of making these payments, Gordon was not the *alter ego* of defendant, but a minor stockholder (R. 313). This amount petitioner was perfectly willing and able to pay, had the Gordon machine been of any value to it. Petitioner never would have bought a Gordon machine or even the infringing Walcott machines had it been asked to pay, for example, as respondent claimed throughout the entire proceedings it should pay, three-quarters of a cent for each cam turned as royalty for use. Nor would petitioner ever have agreed to pay the utterly extravagant and outrageous sum of $5,000 per machine royalty, which figure the Master snatched out of the air as a reasonable royalty to reach the alternate award of $120,000, for the twenty-four machines which pe-

titioner used for only a part of the life of the patent—5 or 6 years—e. g., from 1925 when the patent issued, until 1930-31 when the non-infringing Pioch machines were substituted. That petitioner never would have agreed to pay any such sums is exemplified by the testimony of the witness Wibel (R. 503, 506, 508) and the witness Oberhoffken, both of whom testified that it is not the practice in the machine tool industry to sell machine tools on the basis of the payment of a royalty for use of the machines (R. 1110-11). The machines here involved,—cam shaft turning lathes,—are machine tools. We believe we can say, without fear of successful contradiction, that neither Gordon nor the Walcott Company nor any other manufacturer of such machine tools could ever succeed in selling a single machine on the basis of a payment of a royalty for every workpiece made on the machine or on the basis of a royalty which represents more than 100 per cent of the fair selling price of the machine.

We think that there is no proper basis for any recovery from defendant, in view of the settlement made by plaintiff with the Walcott Co.

CONCLUSION.

As to Points II and III, on which the certiorari was granted on the rehearing, we are content to rest our argument upon our main brief, believing that it is not met by our adversary's argument which comprises pages 53 to 99 of their brief. To attempt a reply would be largely repetitious of our main argument.

We submit that our cause here is a just one and that our three points on which certiorari was granted should be sustained.

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